



## **Nova LifeStyle Reports Third Quarter 2016 Financial Results**

Revenues Increase 26.9% as Shift to Higher-Margin Products Takes Root

**LOS ANGELES, CA – November 14, 2016 -- Nova LifeStyle, Inc. (NASDAQ: NVFY)**, a U.S. based fast-growing, innovative designer, manufacturer and distributor of modern LifeStyle furniture, today announced financial results for the third quarter ended September 30, 2016.

### **Third Quarter 2016 Financial Highlights:**

- Third quarter net sales were \$30.5 million, an increase of 26.9% compared to \$24.0 million in the prior year period.
- The year over year increase was the result of a 55% increase in average selling price as the Company's recent efforts to focus its sales mix on premium products began yielding positive results. As expected, the focus on higher-margin, lower volume products did negatively impact overall volumes, which fell 19% in the quarter.
- Third quarter gross margin was 15.1%, compared to 14.6% in the prior year period, as the product focus noted above had a positive impact on margins.
- Gross profit increased 31.3% to \$4.6 million for the three months ended September 30, 2016 compared to \$3.5 million in the same quarter of the prior year.
- Operating expenses in the third quarter of 2016 were \$3.5 million, compared to \$3.0 million in the third quarter of 2015. As a percentage of sales, operating expenses in the third quarter of 2016 were 11.6% of sales versus 12.3% during the same period a year ago.
- Net income from continuing operations was \$1.0 million, or \$0.04 per diluted share based on 25.7 million shares outstanding in the third quarter of 2016, compared to net income from continuing operations of \$0.4 million or \$0.02 per diluted share based on 24.1 million shares outstanding in the same period of the prior year.
- The Company agreed to sell its Chinese manufacturing operations for \$8.5 million in order to focus the business on an "asset light" operating model.

### **Management Commentary**

Tawny Lam, President and Interim Chief Executive Officer of Nova LifeStyle, stated, "We are excited to report a very solid third quarter for Nova LifeStyle. Our top line sales grew nearly 27% versus the same period last year as efforts we have made in recent quarters to focus our sales mix on higher-margin products began to pay off in the form of higher average selling prices and improved gross margins. Sales improved in every geography we serve, with European sales more than doubling in this quarter as compared to the same period last year as the regional economy there continues to improve. Our expectation is that growth will continue there and we are looking to capitalize on that momentum with an increased local sales and marketing effort."

Ms. Lam continued, "The third quarter also saw us make a significant strategic change to our business as we agreed to sell our Chinese operations in order to focus on an "asset-light" operating model. The transaction, which we announced on September 29<sup>th</sup> and closed on October 25<sup>th</sup>, added \$8.5 million to our balance sheet while also eliminating a significant source of margin pressure which has negatively impacted our results in recent quarters. As part of our strategic transition, we are devoting more energy and emphasis to developing our E-commerce initiatives, as exemplified by our recent agreement with Inno International. That partnership will allow us to engage consumers who are utilizing reward point programs for a wide variety of products and services."

## Operational Overview

### Product Category

Nova LifeStyle's largest selling product categories in the three months ended September 30, 2016 and 2015 were sofas, beds and dining tables, which accounted for approximately 57%, 15% and 6% of sales, versus 23%, 10% and 13% of sales in the prior year period.

### Geographic Breakdown

#### North America

Sales to North America were \$22.5 million in the three months ended September 30, 2016, an increase of 4% from \$21.6 million in the same period of 2015. The Company is aggressively focusing on changing its product mix while also implementing sales and marketing strategies designed to diversify sales. Termination of promotional discounts that were offered in the second quarter positively impacted margin in the quarter as well.

#### Europe

Sales to Europe were \$2.9 million in the three months ended September 30, 2016, an increase of 114.2% from \$1.4 million in the same period of 2015 as European economies continued to improve, leading to increased sales volume. Nova LifeStyle anticipates increasing sales and marketing efforts in Europe in order to capitalize on continued regional economic growth.

Geographical distribution of sales is set out as follows:

(US\$ in millions)

	For nine months ended September 30,				For three months ended September 30,			
	2016		2015		2016		2015	
	Sales	% of Total	Sales	% of Total	Sales	% of Total	Sales	% of Total
North America	52.5	72%	57.0	85%	22.5	74%	21.6	90%
Asia*	3.6	5%	2.1	3%	1.7	6%	0.8	3%
Europe	10.7	15%	6.9	10%	2.9	10%	1.4	6%
Australia	3.4	5%	0.4	1%	1.4	5%	0.2	1%
Hong Kong	2.2	3%	0.2	0%	1.9	6%	0.2	1%
Other countries	0.2	0%	0.1	0%	0.1	0%	0.0	0%
	\$ 72.7	100%	\$ 66.7	100%	\$ 30.5	100%	\$ 24.1	100%

\* excluding Hong Kong

### Balance Sheet and Cash Flow Highlights

- Cash and cash equivalents were \$5.8 million at September 30, 2016, as compared to \$1.0 million as of December 31, 2015.
- Working capital at September 30, 2016 was \$56.5 million, as compared to \$50.9 million at June 30, 2016; \$48.3 million at September 30, 2015; and \$48.6 million at December 31, 2015.

The following is a summary of cash provided by or used in each of the indicated types of activities during the nine months ended September 30, 2016 and 2015:

	2016	2015
Cash (used in) provided by:		
Operating activities	\$ (1,465,248)	\$ (4,217,872)
Investing activities	5,274,558	(2,224,830)
Financing activities	1,409,387	5,388,462

Net cash provided by operating activities was \$1.5 million in the nine months ended September 30, 2016, a decrease in cash outflow of \$2.7 million from \$4.2 million of cash used in operating activities in the same period of 2015.

## **Investor Inquiries**

An open line of communication with investors and analysts remains a top priority of the Company and management is readily available for discussions with investors on a one on one basis. Investors and analysts wishing to speak with management are urged to contact the Company's investor relations representatives at The Equity Group at +1 212 836 9600 or [aprior@equityny.com](mailto:aprior@equityny.com).

## **About Nova LifeStyle**

Nova LifeStyle, Inc., a NASDAQ Global Markets Exchange listed company headquartered in California, is a fast growing, innovative designer, manufacturer and distributor of modern LifeStyle furniture; primarily sofas, dining rooms, cabinets, office furniture and related components, bedrooms, and various accessories in matching collections. Nova's products are made in the US, Europe, and Asia and include LifeStyle brands such as Diamond Sofa, Colorful World, Giorgio Mobili, Nova QwiK, and Bright Swallow International. Nova's products feature urban contemporary styles that integrate comfort and functionality incorporating upscale luxury designs appealing to LifeStyle-conscious middle and upper middle-income consumers in the U.S., China, Europe, and elsewhere in the world. To learn more about Nova LifeStyle, Inc., please visit our website at [www.NovaLifeStyle.com](http://www.NovaLifeStyle.com).

## **Safe Harbor Statement**

All statements in this press release that are not historical are forward-looking statements made pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. There can be no assurance that actual results will not differ from the company's expectations. You are cautioned not to place undue reliance on any forward-looking statements in this press release as they reflect Nova's current expectations with respect to future events and are subject to risks and uncertainties that may cause actual results to differ materially from those contemplated. Potential risks and uncertainties include, but are not limited to, the risks described in Nova's filings with the Securities and Exchange Commission.

## **Company Contact:**

Investor Relations:

The Equity Group Inc.

In U.S.

Adam Prior, Senior Vice President

+1 (212) 836-9606

[aprior@equityny.com](mailto:aprior@equityny.com)

In China

Katherine Yao, Senior Associate

+86-10-6587-6435

[kyao@equityny.com](mailto:kyao@equityny.com)

**NOVA LIFESTYLE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (LOSS)**  
**(UNAUDITED)**

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2016	2015	2016	2015
Net Sales	\$ 72,748,972	\$ 66,725,811	\$ 30,538,918	\$ 24,064,319
Cost of Sales	62,091,435	55,176,720	25,935,832	20,558,658
Gross Profit	10,657,537	11,549,091	4,603,086	3,505,661
Operating Expenses				
Selling Expenses	4,358,206	2,709,161	2,050,201	1,151,721
General and Administrative Expenses	4,756,118	4,806,282	1,491,684	1,811,767
Total Operating Expenses	9,114,324	7,515,443	3,541,885	2,963,488
Income from Operations	1,543,213	4,033,648	1,061,201	542,173
Other Income (Expenses)				
Non-operating income (expense), net	40,994	38,826	16,623	11,859
Foreign exchange transaction gain	(5,578)	(5,208)	(3,281)	(1,860)
Loss on change in fair value and extinguishment of warrant liability	-	(767,096)	-	(17,644)
Interest expense	(241,202)	(205,324)	(96,535)	(69,576)
Financial expense	(88,098)	(42,070)	(33,733)	(13,460)
Total Other Expenses, Net	(293,884)	(980,872)	(116,926)	(90,681)
Income Before Income Taxes and Discontinued operations	1,189,266	3,052,776	944,275	451,492
Income Tax (Benefit) Expense	60,063	111,936	(100,656)	48,233
Income From Continuing Operations	1,189,266	2,940,840	1,044,931	403,259
Loss From Discontinued Operations	(1,476,572)	(1,425,101)	(743,594)	(372,854)
Net Income (Loss)	(287,306)	1,515,739	301,337	30,405
Other Comprehensive (Loss) Income				
Foreign currency translation	(420,752)	(665,170)	(98,638)	(668,723)
Comprehensive (Loss) Income	\$ (708,058)	\$ 860,569	\$ 202,699	\$ (638,318)
Basic weighted average shares outstanding	24,937,069	22,362,381	25,558,604	24,144,512
Diluted weighted average shares outstanding	24,937,069	22,362,381	25,558,604	24,144,512
Income from continuing operations per share of common stock				
Basic	\$ 0.05	\$ 0.13	\$ 0.04	\$ 0.02
Diluted	\$ 0.05	\$ 0.13	\$ 0.04	\$ 0.02
Loss from discontinued operations per share of common stock				
Basic	\$ (0.06)	\$ (0.06)	\$ (0.03)	\$ (0.02)
Diluted	\$ (0.06)	\$ (0.06)	\$ (0.03)	\$ (0.02)
Net income (loss) per share of common stock				
Basic	\$ (0.01)	\$ 0.07	\$ 0.01	\$ 0.00
Diluted	\$ (0.01)	\$ 0.07	\$ 0.01	\$ 0.00

**NOVA LIFESTYLE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

	<b>September 30, 2016</b>	<b>December 31, 2015</b>
	(Unaudited)	
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 5,843,598	\$ 988,029
Accounts receivable, net	43,209,014	50,451,665
Advance to suppliers	11,549,905	7,958,870
Inventories	2,272,708	5,254,029
Prepaid expenses and other receivables	1,305,327	1,180,452
Assets held for sale	25,055,319	-
<b>Total Current Assets</b>	<b>89,235,871</b>	<b>65,833,045</b>
<b>Noncurrent Assets</b>		
Heritage and cultural assets	-	124,868
Plant, property and equipment, net	174,133	15,201,395
Lease deposit	43,260	94,235
Deposits for equipment and factory construction	-	143,758
Goodwill	218,606	218,606
Intangible assets, net	5,818,504	8,062,649
Deferred tax asset	61,000	69,451
<b>Total Noncurrent Assets</b>	<b>6,315,503</b>	<b>23,914,962</b>
<b>Total Assets</b>	<b>\$ 95,551,374</b>	<b>\$ 89,748,007</b>

**NOVA LIFESTYLE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

	<b>September 30, 2016</b>	<b>December 31, 2015</b>
	(Unaudited)	
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 6,354,379	\$ 9,822,857
Line of credit	8,033,733	4,604,560
Advance from customers	648,756	187,359
Accrued liabilities and other payables	1,129,541	2,584,622
Deposit received from buyer	5,500,000	-
Taxes payable	129,644	5,773
Liabilities held for sale	10,891,907	-
<b>Total Current Liabilities</b>	<b>32,687,960</b>	<b>17,205,171</b>
<b>Noncurrent Liabilities</b>		
Line of credit	-	5,659,357
Deferred rent payable	-	89,904
Income tax payable	2,075,175	6,801,893
<b>Total Noncurrent Liabilities</b>	<b>2,269,303</b>	<b>12,551,154</b>
<b>Total Liabilities</b>	<b>34,763,135</b>	<b>29,756,325</b>
<b>Contingencies and Commitments</b>		
<b>Stockholders' Equity</b>		
Common stock, \$0.001 par value; 75,000,000 shares authorized, 25,716,271 and 24,254,160 shares issued and outstanding; As of September 30, 2016 and December 31, 2015, respectively	25,716	24,254
Additional paid-in capital	33,265,136	31,761,983
Statutory reserves	6,241	6,241
Accumulated other comprehensive income	1,149,782	1,570,534
Retained earnings	26,341,364	26,628,670
<b>Total Stockholders' Equity</b>	<b>60,788,239</b>	<b>59,991,682</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 95,551,374</b>	<b>\$ 89,748,007</b>

**NOVA LIFESTYLE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015**

	<b>Nine Months Ended September 30,</b>	
	<b>2016</b>	<b>2015</b>
	(Unaudited)	
<b>Cash Flows From Operating Activities</b>		
Net (loss) income	\$ 1,189,266	\$ 2,940,840
Adjustments to reconcile net (loss) income to net cash		
Used in operating activities:		
Depreciation and amortization	462,194	377,085
Stock compensation expense	1,216,765	1,089,549
Change in fair value and extinguishment of warrant liability	--	767,096
Changes in bad debt expenses	33,818	651,989
Changes in operating assets and liabilities:		
Accounts receivable	(558,573)	(8,429,217)
Advance to suppliers	(3,613,765)	1,900,128
Inventories	241,611	(2,124,204)
Other current assets	(711,727)	(555,168)
Accounts payable	129,278	(543,253)
Advance from customers	584,968	(56,125)
Accrued expenses and other payables	(325,799)	(515,286)
Deferred rent payable	-	(1,260)
Taxes payable	52,864	17,949
<b>Net Cash Provided by (Used) in Continuing Operations</b>	(1,299,100)	(4,479,877)
<b>Net Cash Provided by (Used) in Discontinued Operations</b>	(166,148)	262,005
<b>Net Cash Provided by (Used) in Operating Activities</b>	(1,465,248)	(4,217,872)
<b>Cash Flows From Investing Activities</b>		
Purchase of property and equipment	(7,272)	(1,525)
Cash received from Buyer	5,500,000	-
Construction in progress	-	(112,750)
<b>Net Cash Used in Continuing Operations</b>	5,492,728	(114,275)
<b>Net Cash Used Provided by Discontinued Operations</b>	(218,170)	(1,325,154)
<b>Net Cash Used in Investing Activities</b>	5,274,558	(1,439,429)
<b>Cash Flows From Financing Activities</b>		
Proceeds from line of credit and bank loan	29,828,074	25,603,644
Repayment to line of credit and bank loan	(29,301,699)	(24,896,823)
Proceeds from warrant exercised	203,250	-
Proceeds from equity financing, net of expenses of \$355,000	-	3,645,002
<b>Net Cash Used in Continuing Operations</b>	729,625	4,351,823
<b>Net Cash Used Provided by Discontinued Operations</b>	319,762	1,036,639
<b>Net Cash Provided by Financing Activities</b>	\$ 1,049,387	\$ 5,388,462

**NOVA LIFESTYLE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015**  
**(UNAUDITED)**

	<b>Nine Months Ended September 30,</b>	
	<b>2016</b>	<b>2015</b>
	(Unaudited)	
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>		
	\$ (3,128)	\$ (4,595)
<b>Net (decrease) increase in cash and cash equivalents</b>	4,855,569	(273,434)
<b>Cash and cash equivalents, beginning of period</b>	988,029	1,244,308
<b>Cash and cash equivalents, ending of period</b>	\$ 5,843,598	\$ 970,874
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid during the period for:		
Income tax payments	\$ 7,200	\$ 93,984
Interest expense	\$ 371,036	\$ 282,961
<b>Supplemental Disclosure of Non-Cash Investing and Financing Activities</b>		
Deposit on plant construction and website design transfer to construction in progress	\$ -	\$ 726,722
Issuance of common stock in exchange of surrender and termination of warrants	\$ -	\$ 2,212,707